

## CHAPTER 4

### MISSION, OPERATIONAL POLICIES, AND INSTRUCTIONS

#### Part A - Mission

##### 4-101 Mission

Commissaries, as an institutional economic benefit of military service providing noncash compensation to military personnel, shall sell groceries and authorized household supplies at the lowest practical price. Commissaries shall be operated in facilities and under standards similar to those of commercial food stores, foster and maintain a sense of military community relationship among military personnel and their families, and contribute to a sense of confidence among military personnel that their families are cared for by the military institution when military service requires their absence from their families, in peace and war. Additionally, commissaries shall provide a peacetime training environment for food supply logisticians needed in wartime. The intent is to provide this support when a member is in a full compensation status.

#### Part B - Restriction on Purchases

##### 4-201 Restriction on Purchases

Authorized personnel shall not sell or give away commissary purchases to individuals or groups not entitled to commissary privileges. **Personnel** are prohibited from using commissary purchases to support a private business. These prohibitions do not apply to food served guests in the homes of authorized personnel or to limited and reasonable donation to acceptable charitable organization food drives. Violations of these restrictions shall provide a basis for suspension of commissary privileges or permanent revocation of commissary privileges. In addition, disciplinary action under the Uniform Code of Military Justice, Civil Service, or other pertinent regulations or agreements, should be taken against the individual if the violation(s) warrant such action.

#### Part C - Audits and Inspections

##### 4-301 Internal Audits and Inspections

Each Military Department shall prescribe such audits and inspections as required by statute and regulations. In addition, each Military Department may prescribe such other internal audits and inspections as it considers necessary or desirable to manage its commissaries,

#### Part D - Support of Commissaries

##### 4-401 Statement of Policy

Commissaries shall be operated with funds appropriated by Congress, except when otherwise provided by statute. Those commissary operating costs required by statute to be reimbursed by patrons (section 4-602) are defined in section 4-403.

#### 4-402 Personnel

Military (officer and enlisted personnel), Civil Service employees, contract personnel and local national employees in overseas areas, paid from appropriated funds, shall be used to staff and operate commissaries and related administrative and support functions. Each Military Department may establish staffing guidelines and budgeting procedures required to support commissary operations.

##### 4-402.1 Carry-out or Bagger personnel

Individuals authorized military installation access by installation commanders are authorized to petition to enter a commissary store for the specified purpose of performing bagging and carry-out services for authorized commissary patrons. This authorization is contingent upon the bagger signing and complying with a standard licensee agreement as developed and issued by the DoD Commissary Executive Board. Use and adherence to this licensee agreement are necessary because baggers are not and shall not be treated as employees of the Federal Government (Department of Defense). To ensure that baggers are treated as licensees, the statement of understanding will not be changed, amended, or used as a basis for additional regulations or directives.

#### 4-403 Commissary Operating Costs Requiring Reimbursement

Commissary operating costs that are supported by appropriated funds and that, by statute, require reimbursement with funds collected from commissary patrons are below outlined in section 4-403.1 through 4-403.6, below.

##### 4-403.1 Transportation

All commercial transportation in the United States to the original **place of resale or use**, pertaining to commissary merchandise **supplies**, and equipment shall be included in the cost of purchase.

##### 4-403.2 Supplies

All supplies required for the day-to-day operation of commissaries and store level offices dedicated to supporting commissary operations shall be paid for by direct citation of or reimbursed from surcharge funds collected from commissary patrons.

##### 4-403.3 Purchase and Maintenance of Equipment.

Equipment used in commissary store level offices dedicated to direct support of store operations including automated data processing equipment to include installation, and contract cost of commercial or Government maintenance (includes preventive maintenance and repair) shall be paid by direct citation of or reimbursed from surcharge funds collected from commissary patrons.

##### 4-403.4 Utilities

The cost of electricity, heat, steam, water, ice, oil, gas, coal, compressed air, air-conditioning, refrigeration, and telephone for commissaries and store level offices dedicated to commissary operations in the 48 contiguous United States shall be paid by direct citation, or reimbursed from surcharge funds collected from commissary patrons. Utilities should be metered at the point of service to the commissary. However, in the absence of meters, estimates may be used. Such estimates will be based on the contract cost of utilities and prorated according to the size of the commissary. Estimates may be determined at Military Department level or at the installation level.

#### 4-403.5 Shrinkage, Spoilage, and Pilferage

The actual or estimated losses due to shrinkage, spoilage, and pilferage shall be reimbursed with funds collected from commissary store patrons.

#### 4-403.6 Facility Construction Costs

The Secretary of Defense may provide for a surcharge on the sales prices of merchandise sold in commissaries to generate funds for construction. The proceeds from surcharges may be used to acquire, construct, convert, expand, **install** equipment, or otherwise improve commissary facilities at defense installations as provided in section 2685 (reference (f)), and for related environmental evaluation and construction costs, including surveys, administration, overhead, planning, and design.

4-403.7 Coupon Handling Fees. Costs incurred in connection with obtaining face value of coupons shall be reimbursed by all fees or monies received for handling or processing such coupons.

#### 4-404 Commissary Operating Costs Not Requiring Reimbursement

Commissary operating costs which shall be paid by appropriated funds and that do not require reimbursement from funds collected from commissary patrons apply to **sections** 4-404.1 through 4-404.5.

##### 4-404.1 Transportation

This pertains to all transportation costs of commissary merchandise, supplies, and equipment outside the United States.

##### 4-404.2 Services

This includes common services, separately identified and reported (to the extent possible), such as garbage and trash removal; sewage disposal; police and fire protection; insect control; medical inspection; road, sidewalk, and grounds maintenance; snow removal; procurement; financial accounting; merchandise handling; supply and financial administration; computer operation and maintenance; legal services; and other administrative and personnel support functions performed relative to the commissary operations.

##### 4-404.3 Major Losses

This applies to major losses of inventory, facilities, equipment, or supplies due to fire, theft (other than **pilferage**), **explosion**, **Power failure**, storms, uncollectable checks, theft of funds, enemy actions or acts of God.

##### 4-404.4 Construction Costs

Appropriated funds may be used for all commissary facility construction and associated equipment related to the establishment, activation, or expansion of a military installation; relocation of facilities for the convenience of the government; replacement of facilities denied by **country-to-country** agreements; restoration of facilities destroyed by acts of God, **fire**, or terrorism; and to correct safety deficiencies. Additionally, appropriated funds shall be used to clear construction sites when resiting a replacement or new mission commissary at the convenience of the government.

##### 4-404.5 Utilities.

Utility costs as defined in section 4-403.4, outside the 48 contiguous **states** shall be paid by appropriated funds.

## Part E - Sales

### , 4-501 Cash and Credit Sales

All purchases by individual commissary patrons shall be made in cash (or other medium redeemable as cash, i.e. , personal checks or discount coupons). Sales to organizations and resale activities of the U.S. Military Services or other authorized agencies may be on a charge sales basis with accounts payable at least monthly as determined by the Secretary of the Military Department concerned. Reimbursements for sales to **non-DoD** Federal Departments or agencies (section 2-101.7) shall be accessed as follows:

a. Organizational Sales. These charges shall be based upon the types of costs incurred to provide the support and outlined in the support agreement. These charges shall include the cost of the merchandise, the five percent surcharge, and the appropriate accessorial charge. Accessorial charges will be credited to appropriated operational and maintenance (~~O&M~~) funds. (reference (j)).

b. Individual Sales. The authorized individuals will be charged and pay in cash (as any patron) the cost of the merchandise and the five percent surcharge at the cash register. Support agreements negotiated with organizations outside the DoD to permit individual sales shall include charges for estimated accessorial costs on an annual basis. If the volume of individual sales related to an agreement is not significant, a local commander may determine that it is not appropriate to assess accessorial costs.

## Part F - Pricing Instructions

### 4-601 Statement of Policy

Merchandise available for resale through the commissary shall be sold at prices to recoup actual cost to include transportation costs in the 50 United States. When the unit cost for an individual item computes to a fraction of a cent, the sales price shall be rounded to the next whole cent. Specific items that involve processing losses within the commissary such as fresh meats or produce shall be priced to recoup the total actual invoice cost. Adjustments shall be made to sales prices of specific line items for vendor credits/reimbursement on those specific line items for special promotional sales, etc. Additionally, the commissary officer may reduce the price on damaged or outdated items to minimize or preclude loss to the Government (see Section 4-901 Part I) following inspection by food inspection technicians. Because the military commissary system is operated as an element of the military pay and benefits package to offer nonpay compensation, it is desirable that each of the military service systems offer a comparable and relatively stable savings or income effect to the authorized patrons. Therefore, the DoD Commissary Executive Board will define and continuously review a single, uniform pricing method to be used by each of the military commissary systems. To optimize the compensation value of the commissary benefits, procurement practices shall promote the lowest possible pricing. The flat rate surcharge prescribed in section 4-602 will be assessed at the cash register/point of purchase on the total patron cost of all purchased items. (reference j)

#### 4-602 Establishment of Surcharge

The Secretary of Defense has prescribed the surcharge of five percent to be assessed for all merchandise sold through commissaries. The surcharge revenues shall be used to fund those operating costs requiring reimbursements as prescribed in section 4-403. Surcharge funds shall be accounted for as "Commissary Trust Revolving Funds" and shall not be merged with stock funds or other appropriated funds in the accounting records.

#### 4-603 Pricing Surveys

a. The Chairman of the DoD Commissary Executive Board (see Section VI) shall direct an independent review to compare commercial and commissary prices on a recurring basis (at least once every 3 years). This market basket survey will be conducted by a private sector firm and administered by one of the respective Military Departments on a rotating basis. The review shall compare the prices in at least ten percent of each Service's commissaries (CONUS) with private sector supermarkets in the respective local area. At least 10 percent of overseas stores located in the European and Pacific theaters shall be identified separately and prices shall be compared with a CONUS commissary of the same service near the Atlantic and Pacific Coasts, respectively. It is desired that overseas stores offer comparable savings to U.S. stores.

b. For purposes of this review, market basket comparisons shall consider only identical items by brand and size. Sales price comparisons shall be reported based upon total customer price, i.e. after consideration of appropriate commissary surcharge and local/state sales taxes in the private sector. Prior to the initiation of the actual survey, statements of work (procedures of test) shall be provided to each Service commissary command, Office of the Assistant Secretary of Defense (Force Management and Personnel), and representatives of the private sector grocery industry for comment. The survey shall be structured to report total market basket cost and average savings by dollar and percentage in each of the following categories:

- (1) Grocery food items.
- (2) Grocery nonfood items.
- (3) Meat.
- (4) Produce.
- (5) Dairy.
- (6) Health and beauty aids.
- (7) Total savings (entire market basket exclusive of tobacco products).
- (8) Tobacco products.

### Part G - Offshore Acquisition

#### 4-701 Statement of Policy

To the extent that American produced items can be reliably delivered while fresh, and consistent with customer brand name preference, commissaries shall stock U.S. products. Some products with short-shelf lives such as fresh meat, fresh dairy products, fresh bakery, non-hardy fruits and vegetables, and fresh deli items are impractical to ship from the CONUS to overseas commissaries, and are appropriately procured from offshore sources. Offshore procured speciality items or indigenous unique items, falling within authorized product categories, for which no comparable U.S. products are available may be carried within reasonable limits. Uniqueness may be derived from the item itself or its packaging. However, direct competition with identical U.S. commodities will be avoided. Decisions to stock speciality items acquired offshore be strictly

controlled and reviewed at the commissary service headquarters command level. Annually, the DoD Commissary Executive Board shall establish a line item limitation for offshore acquired items authorized to be stocked in overseas commissaries. Subsequently, this limit shall be reviewed with the appropriate congressional committees exercising oversight of commissary operations.

## Part H - Advertising

### 4-801 Statement of Policy

Any advertising of sales and savings to commissary shoppers shall be restricted to posters and handouts within the commissary store and other on-base locations. Appropriated funds shall not be used to fund any form of direct commissary advertising (except as discussed in paragraph 4-801c, below). The policy and key elements are as follows:

a. The intent of DoD policy is to inform the patron of the commissary benefit and not to advertise per se. Any information provided to the patron shall be aimed at maximizing the value of the benefit and not to compete with civilian supermarkets.

b. Under no circumstances shall sales price be used in any handout material that can be removed from the store. The use of price denotes a perception of competition and can be construed as "loss leaders" to attract patrons. Prices may be used on point of sale material affixed to the shelf and that cannot be carried out of the store by the patron because it provides information to the patron. Fliers may inform on cents off or percent off but shall not mention actual price.

c. Fliers specifically addressing commissary sales items shall not be mailed to patrons. This restriction does not apply to authorized mailings purely of informational nature at no cost to the commissary system. For example, comments that the commissary system saves the member an average dollar or percentage amount on the grocery bill reflected on leave and earnings statements or recruiting brochures listing military benefits is permissible.

## Part I - Donations

### 4-901 Statement of Policy

At the direction of the Secretary of the Military Department concerned, commissaries may donate unmarketable, unsalable, but edible food to a non profit, charitable entity as specified by the Secretary of Defense in coordination with the Secretary of Health and Human Services. In-house organized, charitable organizations designed to help needy military families/members such as the Army Community Services food lockers have first priority in accepting donations. Food that may be donated under this provision must be certified as edible by appropriate food inspection technicians. Only food that would otherwise be destroyed as unmarketable shall be considered for donation. These donations will be held at the commissary pending pick up by the authorized food bank/services organization. The total quantities of food donated through the government-owned program should be accounted for and reported quarterly to the respective commissary service headquarters. Additionally, commissaries are authorized to hold (pending pick up by the specified food bank) any **unmarketable**, but edible food for which a vendor has credited the commissary account

or demonstration samples for which the vendor has authorized the donation of these products. The commissary shall facilitate vendor donations in the same fashion as authorized for government donations. The commissary is not authorized to perform any service, such as transportation, in connection with the donation of government owned or vendor owned property beyond that as specified in this section. Reference (e) section 1460 and (f) section 2485.